



THOMAS L. GARTHWAITE, M.D.
Director and Chief Medical Officer

FRED LEAF
Chief Operating Officer

COUNTY OF LOS ANGELES
DEPARTMENT OF HEALTH SERVICES
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October 29, 2004

TO: Each Supervisor

FROM: Thomas L. Garthwaite, M.D.
Director and Chief Medical Officer

A handwritten signature in black ink, which appears to read "Thomas L. Garthwaite", is written over the printed name and title.

SUBJECT: **IMPROVING MANAGED CARE PLAN COLLECTIONS**

As referenced in my July 12, 2004 memo to you, this is to provide an update on our progress in improving managed care and health care plan billing and collections during the third quarter of calendar year 2004.

- The Ad Hoc Committee, comprised of County Counsel, facility designated physicians, Patient Financial Services (PFS) Directors, Chief Financial Officers (CFOs), and Utilization Review (UR) Directors, continues to meet on a monthly basis to review the current facility procedures, identify ways to improve the authorization process, develop revised policies and procedures, and enrich the knowledge base of physicians and other designated facility personnel through a training program.

As a result of these meetings, a health care plan review log was developed and implemented on May 3, 2004. The purpose of the review log is to provide a tracking mechanism for identifying health care plan contract members whose entire hospitalization is not approved. The committee is currently in the process of implementing a universal face sheet. Two Department of Health Services (DHS) facilities have implemented use of the new face sheet, the remaining are targeted to implement its use by January 2005. This face sheet will be used to notify health care plans via fax of their member's admission to the hospital.

- Maxicare has indicated that DHS should expect to receive a final payment of \$1.4 million by the end of December 2004, bringing our settlement discussion total to \$2.6 million.
- Universal Care and Revenue Management (RM) are currently in the process of adjudicating the outstanding claims for dates of service February 1, 2002 through June 30, 2003, with a goal for completion by the end of December 2004.

Once these payments are received and reconciled Universal Care will immediately begin adjudicating the remaining outstanding emergency services claims for dates of service July 1, 2003 through June 30, 2004. The goal for completion is March 31, 2005.

- On October 20, 2004, UHP Healthcare's Chief Administrative Officer telephoned RM to introduce himself. He indicated that he was aware of the outstanding emergency services claims and would begin working with RM to resolve all outstanding claims.
- RM and Care 1st have completed their quarterly training at each facility.
- Blue Cross and RM continue to meet monthly to perform claims resolution to ensure that claim issues are resolved expeditiously. As a result of these meetings, Blue Cross has paid DHS \$1.9 million for inpatient claims for dates of service July 17, 2001 through June 30, 2003. Blue Cross is currently adjudicating the outpatient claims for the same time period and checks are being received by the facilities on an on-going basis.

Since January 2004, DHS, County Counsel, and Blue Cross have been meeting to resolve issues relating to reimbursement for patients seen in our clinics with either an authorization number or a referral. Blue Cross has indicated that they are not responsible for paying any non-emergency (ER) clinic claims and to date have not done so. Blue Cross' Vice President (VP) indicated that a one time offer would be forthcoming for clinic claims with a valid authorization number or an attached referral form for dates of service through June 30, 2003.

After this offer, Blue Cross will not honor any additional authorized and/or referred non-ER clinic claims. As a result of Blue Cross' continued assertion that they are not contractually obligated to pay authorized or referred non-emergency (ER) clinic claims and failure to pay for these services, DHS issued a letter to Hospital and the Multi-Service Ambulatory Care Center (MACC) Chief Executive Officers on August 13, 2004, advising them to immediately discontinue contacting Blue Cross and its Independent Physician Groups (IPA's) for authorization to provide non-ER clinic services (including any specialty services), and cease providing treatment in non-ER clinics to all Blue Cross Medi-Cal Managed Care patients.

On October 12, 2004, RM received a fax from Blue Cross with an offer to settle all outstanding non-ER clinic claims. The current Blue Cross offer is unacceptable and, with consultation from County Counsel, DHS submitted a counter proposal for Blue Cross' consideration on October 21, 2004.

- Health Net and RM have completed adjudicating the January 1, 2003 through June 30, 2003 outstanding emergency services claims. DHS should expect to receive payment by November 15, 2004. Health Net and RM are now adjudicating the remaining calendar year (CY) 2003 and the first quarter CY 2004. Estimated date for completion is December 2004.

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The Department will continue to provide quarterly reports to the Board on our progress in improving managed care plan billing and collection. The next report will be provided in January 2005. If you have questions, please let me know.

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c: Chief Administrative Officer
County Counsel
Executive Officer, Board of Supervisors
Auditor-Controller